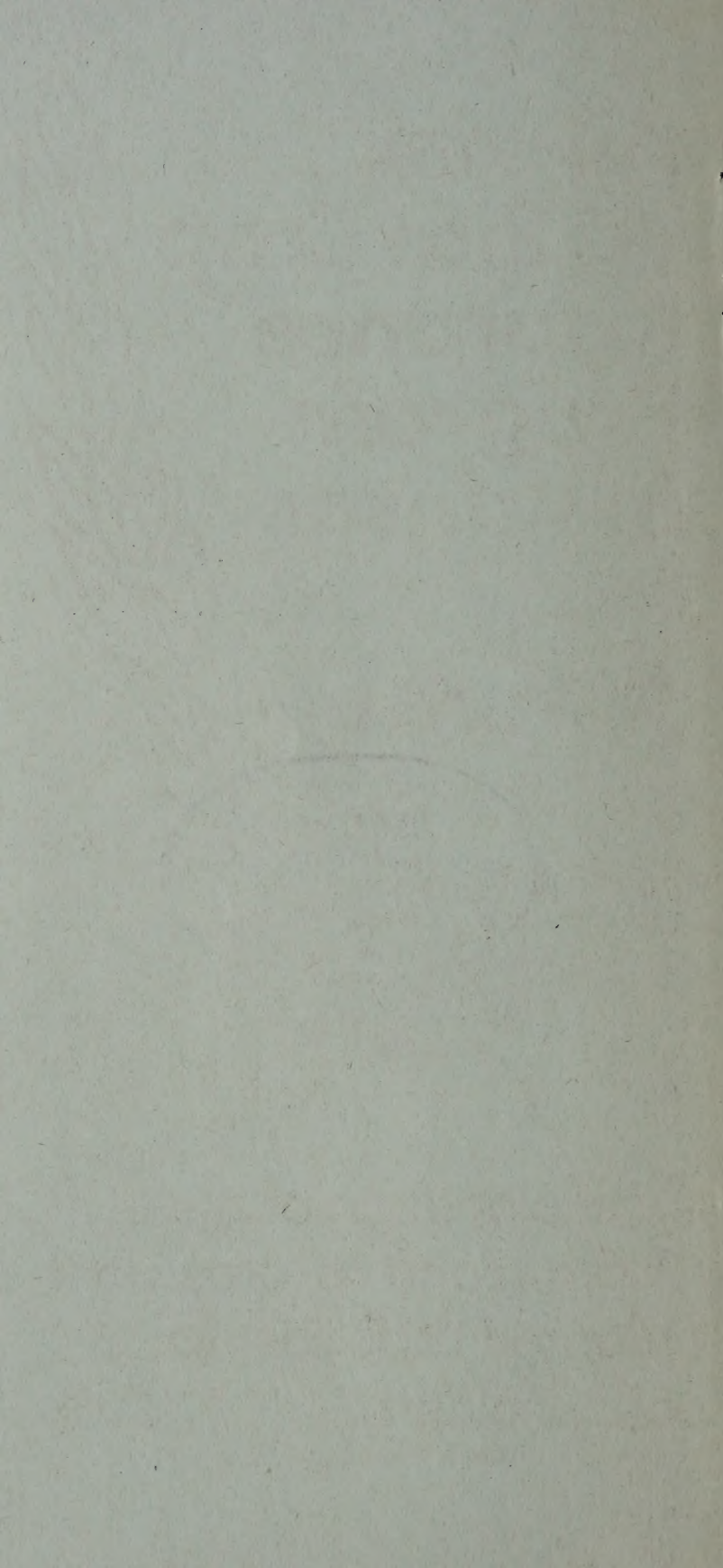


All-risk Wheat Crop Insurance Program in Kansas



An explanation of the FCIC
Program and its provisions—
prepared especially for
policy holders



THE ALL-RISK CROP INSURANCE PROGRAM

Despite the remarkable advances made in the science and methods of agriculture during the past few years, the farmer must still gamble with Nature to produce a crop. Mechanization has made farming better, easier and more efficient, but the natural hazards to growing crops have remained virtually unchanged. Drought, floods, fire, hail, insects, plant diseases and many other forms of damage beyond the control of the farmer still take a heavy toll of his crops. When a crop goes out, the farmer's investment in it--the money and labor spent on seed, land preparation, planting and other production costs--is lost.

It was this problem that prompted agricultural leaders to seek a way of applying the principles of insurance to protect crop investments. Because of the high-risk character of such insurance, private companies found the field difficult, if not an impossible one, to underwrite. The United States Congress, therefore, passed the Crop Insurance Act of 1938, making all-risk crop insurance available to the Nation's wheat growers.

Since that time, hundreds of wheat growers in counties where the insurance is offered, have joined each other to share their crop production risks on a county-mutual basis.

Great strides have been made by the Federal Crop Insurance Corporation in the development of a sound, business-like program. This development has come about through intensive study and research, based on sound actuarial principles and farming experience.

The crop insurance program offers the farmer insurance protection on most of the money he spends to produce a crop. It does not take the place of a crop, and it does not insure profits. Thus the incentive to produce is preserved, while the major part of the crop investment is fully protected at low cost.

HOW THE PROGRAM WORKS

The Federal Crop Insurance Program operates much like other insurance programs. You buy the insurance and pay for it through premiums. When you suffer a crop damage or loss, you receive an indemnity by check.

Administrative phases of the program and sales are handled by the County PMA Committee in the county U.S.D.A. office. Adjustment of losses is handled by the Federal Crop Insurance Corporation.

A crop insurance policy is a continuous contract and applies to all future crops unless terminated. Thus, you enjoy continuous protection of your crop investments, and are spared the

necessity for re-applying for protection each year. It will only be necessary to report each year to the PMA office your acreage and interest immediately after you complete seeding the wheat crop.

If you file your acreage report on or before December 31, each year, and pay your premium on or before February 28 the next year, your premium will be reduced by 5 percent. Many policyholders are taking advantage of this incentive feature--saving money by doing so.

The premium is earned when the wheat is seeded and due on June 15 the year when the wheat is harvested. If not paid in full by the following October 31, there will be interest charges.

Protection is provided by insurance units. Losses are settled separately on each insurance unit (see question and answers for definition of insurance unit.) While one policy will cover all the insurable acreage in which the policyholder has an interest at seeding time, this acreage may involve more than one insurance unit in the county.

Coverage is established in three progressive stages:

1. The coverage for the first stage applies only when wheat acreage is released at the policyholder's request and is planted to a substitute crop.

2. The coverage for the second stage applies to unharvested wheat acreage.
3. The coverage for the third stage applies to all harvested acreage.

LONG-TERM BENEFITS FROM YOUR POLICY

As has been pointed out, the Federal Crop Insurance Program does not insure profits. Neither does the Corporation seek to make a profit on premiums collected from policyholders. You benefit from this in several ways.

For instance, if you carry insurance for seven consecutive years and suffer no losses, your premium is reduced by 25 percent.

Also, whenever your accumulated balance of premiums over indemnities for consecutively insured crops exceeds your harvested coverage, you earn a 50 percent discount in premium. If a policyholder is eligible for discounts in premium, only the discount most advantageous to the policyholder will be made.

Further, a reserve requirement is determined annually for each county. Whenever the county's premium balance exceeds that requirement, a 30 percent reduction is allowed those farmers who were in the program the previous year.

This illustrates the obvious importance of keeping your policy in force every year. In this way you benefit no matter what course your crop production efforts take. You have insurance protection if your crop goes out, and you get crop protection at greatly reduced cost if crop failures pass you by.

QUESTIONS AND ANSWERS

Question: What is an insurance unit?

Answer: (1) All insurable acreage in a county in which a policyholder has 100 percent interest is one unit. (2) All insurable acreage which has the same owner and operator also forms a unit. A landlord would have as many units as he has different operators. An operator would have as many units as he has different landlords.

Question: How are losses settled?

Answer: Losses are settled on insurance units. For instance, if a policyholder has 3 units and has suffered a loss on 2 of the units, he is entitled to an indemnity on each of the 2 units provided he does not commingle the production.

Question: What is commingled production?

Answer: Harvested production from two or more units which is mixed together and for which no accurate records are kept by the policyholder of the amount of wheat produced from each unit is termed commingled production.

Question: To whom and when does the policyholder report that he has a damage or loss?

Answer: The policyholder is to notify the County PMA Committee at the County U.S.D.A. Office IMMEDIATELY after any material damage to an insured wheat crop. Or, if a loss is not evident until the time of harvest, he must report the loss within 15 days after harvest is completed.

Question: When is there an inspection made of the damaged wheat or loss?

Answer: An inspection is made at the policyholder's request when it is his desire to destroy the damaged wheat and put the land to another use; or, after harvest is completed, if a notice of loss is filed by the policyholder.

Question: What is required of the policyholder where damage is due to wind erosion?

Answer: The policyholder is to notify the County PMA Committee IMMEDIATELY of any damage or loss and perform the customary tillage operation to protect the growing wheat crop. There need be no inspection or release of acreage to perform the tillage except where there is need to solid till to control the soil.

Question: What are some customary tillage operations to control wind erosion?

Answer: Some of the customary tillage operations carried out by farmers to control wind erosion are strip chiseling, strip listing, or similar tillage with some other type of implement.

Question: What should a policyholder do if the strip tillage operations do not control the blowing of the soil?

Answer: The policyholder MUST notify the County PMA Committee that the solid tillage operation is necessary, so that an adjuster for the Corporation may release the acreage.

Question: Who keeps the records that show the policyholder is entitled to receive a 25 or 50 percent discount in premium?

Answer: The County PMA Committee. Any policyholder can obtain this information by inquiring at the County U.S.D.A. Office.

Question: How can the policyholder secure a loan on his all-risk crop insurance policy?

Answer: The policyholder may assign his right to any indemnity as collateral for a loan or other obligation by executing a collateral assignment with the County PMA Committee.

Question: After seeding the wheat the policyholder sells all or part of his interest in the crop--what should he do?

Answer: Notify the County PMA Committee IMMEDIATELY after the sale is made.

Question: By having hail insurance with a private company, does it effect settlement of loss by the Corporation?

Answer: No. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only one risk, while Federal Crop Insurance covers all unavoidable risks.

Question: In cases of extremely heavy losses, what assurance is there that all losses will be paid in full?

Answer: The Federal Crop Insurance Corporation is a corporation within the U.S. Dept. of Agriculture and the Corporation is underwriting each county-mutual insurance program.



